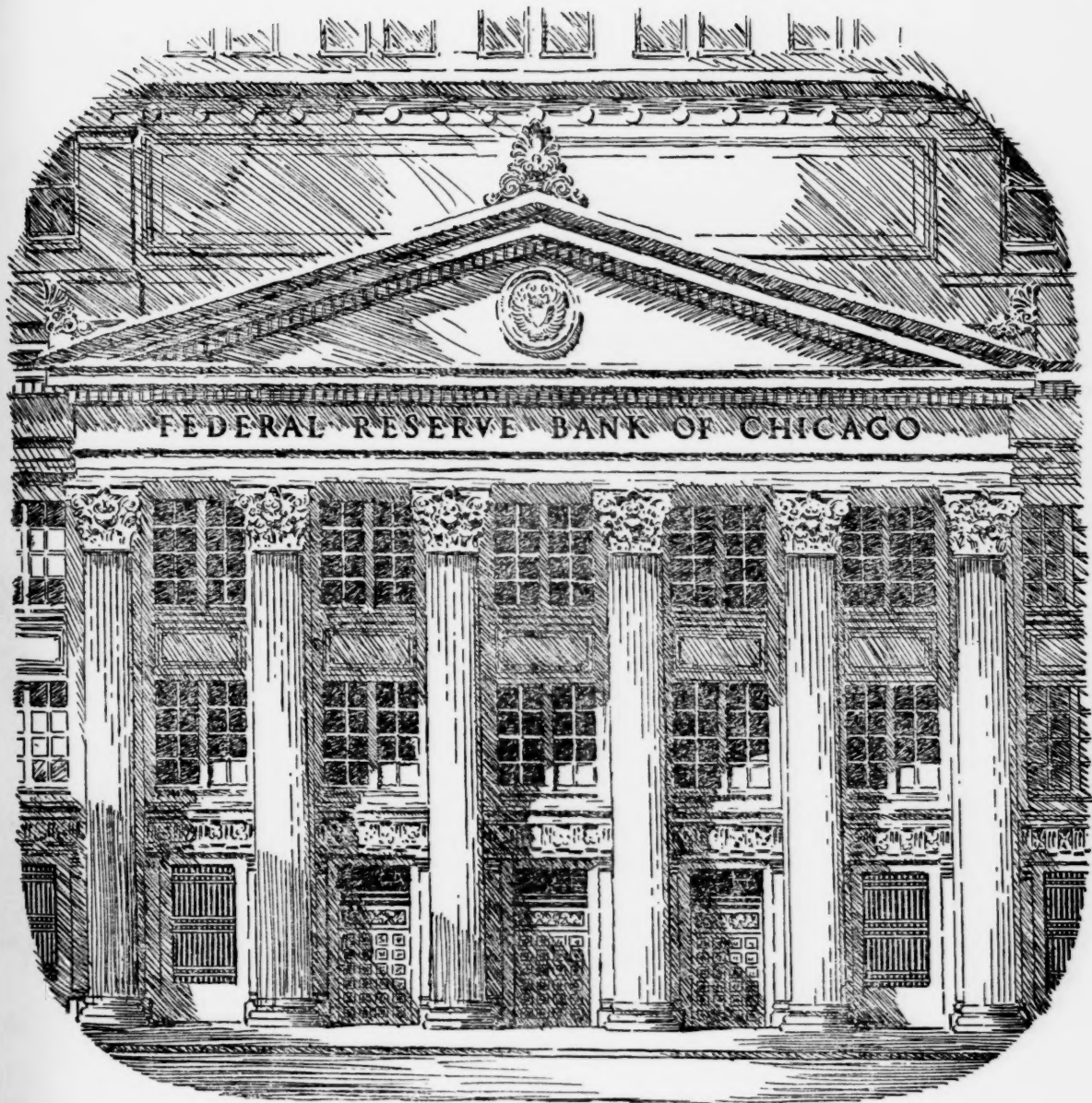


# BUSINESS CONDITIONS

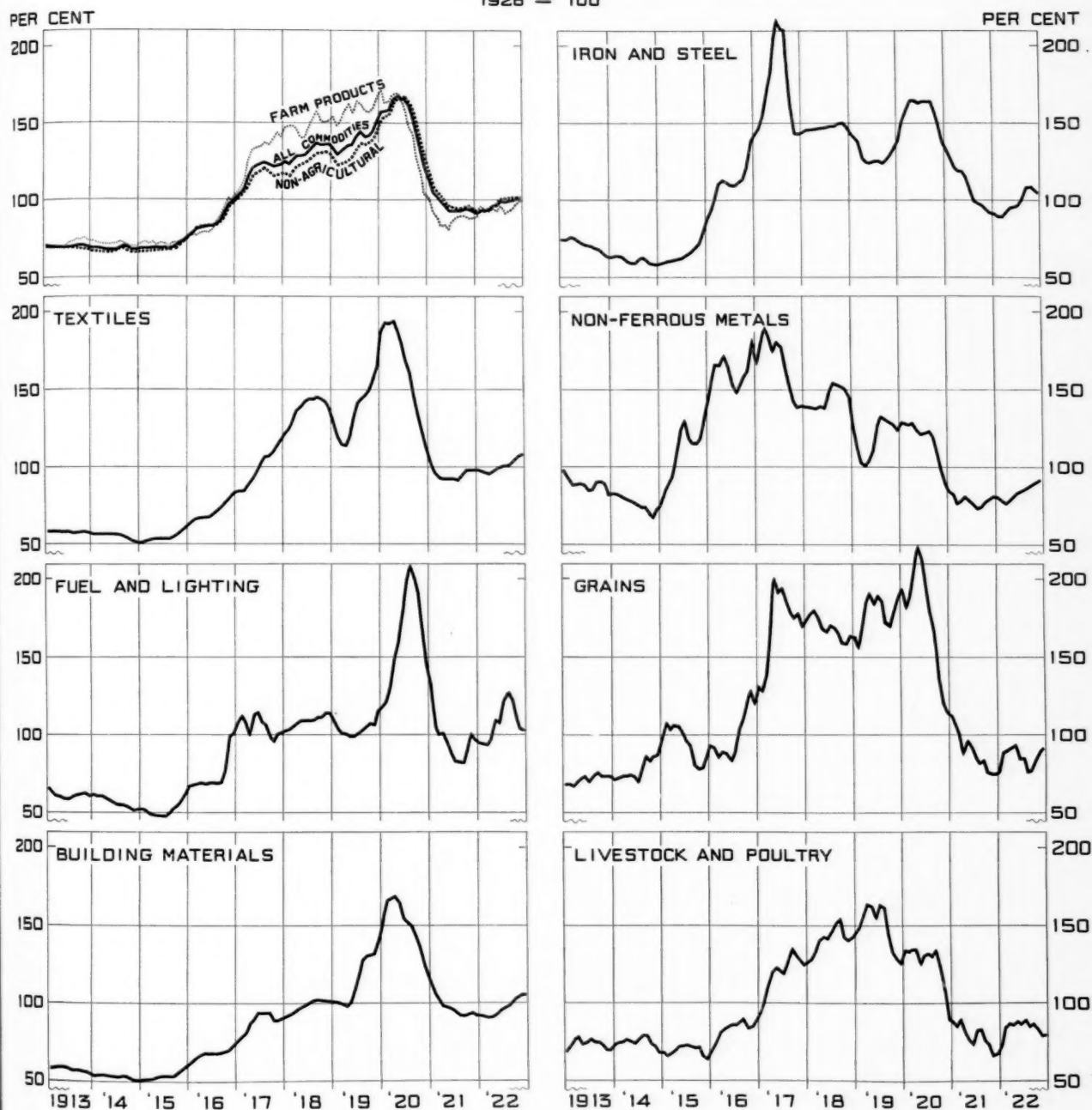


Prepared by the  
Research and Statistics Department  
of the  
Federal Reserve Bank of Chicago

# WHOLESALE COMMODITY PRICE INDEXES

1913 THROUGH 1922

1926 = 100



In response to numerous inquiries relative to the course of economic events following the opening of the European conflict in 1914, there is presented here for the interest of readers a chart showing the United States Bureau of Labor Statistics indexes of selected commodity prices in the United States from 1913 through 1922. Inasmuch, however, as the current economic situation, from both a domestic and an international standpoint, is clearly different from that prevailing in 1914, too sharp an analogy with trends during the earlier period cannot be drawn.

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# DISTRICT SUMMARY

**THE** impact of the new European war considerably quickened Seventh district general industrial activity in the first half of September. This has followed notable increases during August in most phases of production as well as of distribution. Automobile production has expanded from its seasonal August low point; the level of operations in the steel industry has advanced sharply, reflecting a substantial rise in domestic business during recent weeks. Despite much publicity given to so-called war business, there has been little evidence in this district of many actual war orders from abroad. The sharp advance in prices of most agricultural commodities in early September served only partly to correct the extremely low levels which had prevailed in August.

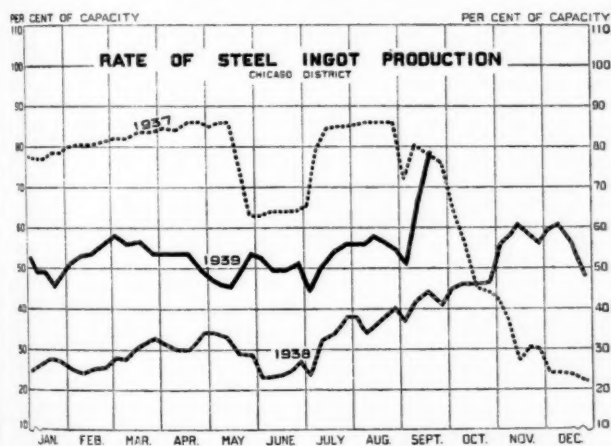
**Industry**—After holding up well throughout August under the support of continued miscellaneous demand, steel mills in the Chicago area had advanced their operations sharply by the third week of September. Besides a seasonally heavy demand for steel from the automobile industry, a large volume of domestic orders came in after the outbreak of the war, carrying steel mill operations in the district to 78½ per cent of capacity, the highest level since mid-September 1937. Steel prices were quite firm. In mid-August automobile production hit the seasonally low point of the calendar year; by mid-September it had advanced considerably with the new model year getting well under way. There were substantial increases during August in activity at reporting district steel and malleable casting foundries, and with a large volume of new orders for railroad equipment, September data should indicate continued increases. Unusual gains were recorded for August in orders and shipments at district furniture factories, and production and new business of district paper mills likewise expanded.

There was a general increase in employment and payrolls among Seventh district industries from July to August, and heightened industrial activity during September will probably show further rises in employment. The gain in August over July for all district reporting firms was 2 per cent in number of wage earners and 5 per cent in wage payments; these gains almost counteracted the losses shown in July. Total construction contracts awarded in the Chicago Reserve district declined 4 per cent during August, despite a substantial rise in residential contracts due to heavy awards of publicly-financed projects, but building operations continued in excess of year-earlier levels. Bituminous coal production in Indiana and Illinois advanced sharply in August, while petroleum refining operations in the district area declined somewhat.

**Trade**—There was a 28 per cent or greater than seasonal gain in district department store trade during August and the favorable comparison with corresponding 1938 levels widened to 8 per cent. Sales of larger district stores held up well during the first week of September, despite tension over the European war, and were 11 per cent larger than in the same 1938 week; in the following week, sales decreased 5 per cent from a year earlier. The retail shoe trade likewise experienced a better than usual expansion in August, and an increase of 20 per cent over July was recorded in retail furniture sales. Most district groups in the wholesale merchandising field reported sales gains in August, the aggregate for the month being 5 per cent heavier than in July and 9 per cent greater than in August 1938.

**Agriculture**—After reaching the lowest levels in five years in August, prices for most farm products rose sharply in early September, as consumer as well as speculative demand for meats and grains was heightened by the outbreak of war in Europe. Some reaction from these increases was noted in mid-September. Forecasts of production for most district farm crops were raised slightly on September 1, and the district corn crop is by now practically out of frost danger. Packing-house commodity production in August was 9 per cent heavier than in the month last year; inventories continued to decline as sales held up well. There was a seasonal decrease during August in production of butter and cheese, and prices for these commodities have strengthened considerably since then.

**Finance**—Reserves of Seventh district member banks rose 171 million dollars over the five-week period ended September 20, largely because of gains in funds from other districts. Deposits of weekly reporting member banks increased 98 millions during the period; there was a decline of 59 millions in investment holdings of these banks, due to a reduced volume of Treasury bills. Yields on high-grade bonds have been adjusted upward and the new-issue market has been inactive since late August. Stock prices advanced markedly in the first half of September.



Index of manufacturing payrolls in Seventh district industries, 1923-1925 average = 100.

## Manufacturing

**Steel and Steel Products**—New business of Chicago district steel companies held up well through most of August, supported by continued steady demand from miscellaneous users of steel and by an increasingly larger volume of releases from the automobile industry. August pig iron output in the Illinois and Indiana district expanded 14 per cent over July and was almost double that for August 1938.

As in many other lines of business activity, the beginning of war in Europe furnished a sharp impetus to the steel business in the early part of September. Except for a few orders from Europe placed for machine tools, no actual war orders were reported in the steel and allied lines. However, there were numerous inquiries for steel from abroad at export offices, some of them for rather large tonnages of pig iron and finished steel. The European conflict set off an inrush of domestic orders, as users of nearly all types



of steel hurried to cover their near-term requirements in anticipation of price rises or of difficulties in obtaining deliveries. This incoming business was in addition to the large tonnage specifications on low-priced steel booked in May by the automobile industry, which had been seasonally expected at this time. In the first week of September, steel ingot output in the Chicago district was at 51 per cent of capacity—somewhat lower than the rate prevailing in August, principally because of the holiday; the national steel rate for that week was 59 per cent. By the third week of September, the Chicago district's steel operating rate had been raised 27½ points to 78½ per cent of capacity and that for the entire country to 79 per cent. The Chicago rate of 78½ per cent was the highest since mid-September 1937, and was 22 points above the level of four weeks earlier and almost 35 points higher than year-ago operations. Finished steel prices were firm, in that there was a complete cessation of the concessions from list prices which had been numerous last May and had extended to a lesser degree into the summer. The major producers in this area have reaffirmed finished steel prices on deliveries made before the first of the year. Pig iron was raised \$2 per ton in mid-September. The scrap iron and steel market has been strong and quoted prices have advanced markedly.

\* \* \*

Activity at steel and malleable casting foundries of the Seventh district expanded considerably during August, as new orders booked, shipments, and operations showed large increases over those of the preceding month. Comparisons with last August also were favorable, although output at that time registered definite improvement over the low levels that had previously prevailed. At steel casting foundries, shipments and production in the current period exceeded the volume of incoming business, while at malleable casting foundries, they were smaller than new orders received. The September figures when they become available probably will show a further sharp increase in new business at steel casting foundries, as there has been a marked rise in orders for freight cars by leading railroad lines.

#### STEEL AND MALLEABLE CASTINGS SEVENTH DISTRICT

	August 1939 Per Cent Change from	
	July 1939	August 1938
<b>Steel Castings:</b>		
Orders booked (tons).....	+31.6	+108.8
Orders booked (dollars).....	+21.1	+91.2
Shipments (tons).....	+17.4	+51.0
Shipments (dollars).....	+23.6	+50.5
Production (tons).....	+35.4	+66.4
<b>Malleable Castings:</b>		
Orders booked (tons).....	+44.2	+62.4
Orders booked (dollars).....	+44.2	+61.6
Shipments (tons).....	+32.8	+47.6
Shipments (dollars).....	+37.4	+43.7
Production (tons).....	+40.5	+56.7

Shipments by district stove and furnace manufacturers recorded a substantial rise of 47 per cent in August over July, a trend seasonally expected for the month. There was a gain of 9 per cent in new orders and of 17 per cent in production. Comparisons with 1938 levels showed a moderate increase in shipments this August and a small decline in new business. Inventories continued their expansion for the third successive month, and were about 5 per cent heavier than at the end of August 1938.

**Automobiles**—Aside from an expected diminishment in export volume, the European war had exerted a negligible effect upon operations in the automobile industry by mid-September. Manufacturers at that time were continuing their expansion from August's seasonally low levels, as the

production of 1940 models began to get into full swing. There were the usual delays and irregularities incident to the assembling of new models, but preliminary estimates indicate that September production will be sharply higher than August and considerably above September 1938, due in part to the earlier showing of new models this year. August output represented the seasonally low point of the year; there were only 61,384 passenger cars manufactured during the period, or 40 per cent as many as in July and 5 per cent more than a year ago. Truck output was similarly low in August, units produced in the month totaling 38,484, a decline of one third from July.

In accordance with seasonal trend, distribution of new automobiles in the Seventh district continued to decline in August. Sales to dealers and those by dealers to users fell off about 20 per cent each from July. A few makes of the 1940 models already were being distributed in August; otherwise, the decrease at wholesale would have been much greater. Comparisons with 1938 levels continued highly favorable. New-car inventories at the end of August were in good position, having declined by better than 50 per cent over the period and totaling slightly lower than in the 1938 month. Used-car stocks were about 5 per cent heavier than at the close of August 1938.

**Furniture**—Contrary to the usual experience in previous years, there was a sharp gain of 33 per cent during August in incoming business of Seventh district furniture manufacturers. This increase was attributable in large measure to the fact that July business was in relatively light volume, as the summer furniture marts had been held a month earlier this year than customarily. Factory shipments expanded 40 per cent over July and were about one third per cent heavier than in 1938; new business was close to 15 per cent larger than a year ago. Volume of unfilled orders rose 4 per cent over the end of July, but the ratio of unfilled orders to incoming business declined from 157 to 117 per cent in August. Operations were accelerated about 10 points in the period to 75 per cent of capacity.

**Paper and Pulp**—There was a substantial increase during August in production and new orders at Seventh district paper mills. Tonnage shipments of paper fell off slightly from July, as those by several large producers in the area had been unusually heavy in that month. Prices for most raw materials used by paper mills strengthened considerably in September.

#### PAPER AND PULP INDUSTRY SEVENTH DISTRICT

	August 1939 Per Cent Change from	
	July 1939	August 1938
<b>Paper:</b>		
Orders booked (tons).....	+19.7	+10.1
Orders booked (dollars).....	+11.2	+11
Shipments (tons).....	-3.3	+11
Shipments (dollars).....	+1.3	+11
Production (tons).....	+15.6	+11
Stocks at end of month (tons).....	+9.6	-11
<b>Pulp:</b>		
Production (tons).....	+5.1	+11
Stock at end of month (tons).....	-4.9	-11

## Building

Total building contracts awarded in the Seventh district showed a decline of 4 per cent during August from July, despite a rise of about 4 million dollars in residential contracts for the month. This gain in residential awards reflected a sharp increase in public financing of apartment buildings, with the awarding of large United States Housing Authority projects during the month. There was a slight decline in non-residential contracts, public financing of this

type of building remaining about as heavy as in July. Awards for public utility projects were sharply lower than in the preceding month; those for public works were about the same in volume. A decline of about 4 million dollars was shown in public expenditures for total projects of these two types. As compared with 1938 levels, all classes of building, with the exception of public works, were substantially larger this August than last, particularly residential contracts. This favorable comparison is also reflected in data for the entire year to date. There has been little notable reported effect from the outbreak of the European war on trends in building.

#### BUILDING CONTRACTS AWARDED\* SEVENTH FEDERAL RESERVE DISTRICT

Period	Total Contracts	Residential Contracts
August 1939.....	\$52,673,000	\$23,733,000
Change from July 1939.....	-4.1%	+21.6%
Change from August 1938.....	+5.8%	+58.1%
First eight months of 1939.....	\$377,291,000	\$140,739,000
Change from same period 1938.....	+27.6%	+69.7%

\*Data furnished by F. W. Dodge Corporation.

The estimated cost of projects for which building permits were issued during August in 102 cities of the district showed a decline of 6 per cent from July, although the actual number of such permits was 13 per cent larger. Almost all of the reporting cities registered substantial gains over the corresponding period in 1938, the aggregate increase being 24 per cent in estimated cost and 20 per cent in number of projects.

There was a seasonal expansion in demand for building materials in August, and sales in some lines showed a greater than usual increase. Sales of lumber at retail rose about 10 per cent over July and those at wholesale increased about 25 per cent. Cement shipments exceeded those of a month previous by 22 per cent, and brick deliveries also recorded about the same gain. Comparisons in materials sales with 1938 levels continued to reflect expansion in building, but the increases in August were generally lighter than those in July. Price trends during August were firm, showing little change from either a month or a year earlier.

#### EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT\*

Industrial Group	Week of August 15, 1939			Change from July 15, 1939	
	Reporting Firms No.	Wage Earners No.	Earnings (\$000 Omitted)	Wage Earners %	Earnings %
<b>DURABLE GOODS:</b>					
Metals and Products <sup>1</sup> .....	1,756	373,685	10,746	+2.6	+8.3
Vehicles.....	381	251,534	8,619	-0.4	+7.3
Stone, Clay, and Glass.....	280	20,604	423	-0.5	-12.6
Wood Products.....	476	44,792	976	+2.6	+8.8
Total.....	2,893	690,615	20,764	+1.4	+7.4
<b>Non-DURABLE GOODS:</b>					
Textiles and Products.....	395	65,411	1,284	+2.5	+8.1
Food and Products.....	1,024	118,189	2,907	+8.2	+2.8
Chemical Products.....	295	35,098	1,068	+3.0	+4.6
Leather Products.....	174	32,429	678	+1.2	+5.0
Rubber Products.....	34	18,341	485	+4.7	-2.9
Paper and Printing.....	738	76,653	2,184	+0.6	+0.4
Total.....	2,660	346,121	8,606	+4.0	+3.0
<b>Total Mfg., 10 Groups.....</b>	<b>5,553</b>	<b>1,036,736</b>	<b>29,370</b>	<b>+2.2</b>	<b>+6.0</b>
Merchandising.....	5,370	131,909	2,954	-0.7	-1.3
Public Utilities.....	1,122	101,303	3,393	+0.1	+0.6
Coal Mining.....	80	14,576	317	+10.7	+24.1
Construction.....	810	13,539	426	+5.4	+4.8
<b>Total Non-Mfg., 4 Groups.....</b>	<b>7,382</b>	<b>261,321</b>	<b>7,090</b>	<b>+0.5</b>	<b>+0.9</b>
<b>Total, 14 Groups.....</b>	<b>12,935</b>	<b>1,298,057</b>	<b>36,460</b>	<b>+1.9</b>	<b>+5.0</b>

\*Other than vehicles.

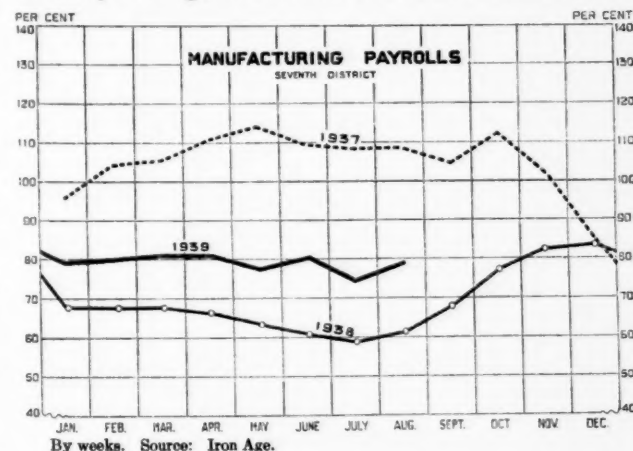
\*Data furnished by State agencies of Illinois, Indiana, Michigan, and Wisconsin.

## Industrial Employment

The July to August increases in employment and payrolls of Seventh district industries were the most favorable for the period since 1933, when the operation of the N.R.A. brought sharp advances in employment in many industries. Likewise, these increases were, in the aggregate, more favorable than those displayed in July-August trends during most pre-depression years. However, there had been a greater than seasonal decline during July when the vehicles group showed severe losses in both wage payments and volume of employment; August gains only partially offset the July decreases. In the vehicles group, none of the July loss in employment was restored, but fully one third of the decline in wage payments was recovered; it should be noted that the employment data cover the week ending August 15, the low point at about that time in automobile production for the calendar year.

Among the metal industries—other than vehicles—August gains were more than sufficient to offset earlier declines. These gains, together with increases in the wood-products group, were large enough to raise materially the level of employment and wages in the durable goods classification as a whole. In the non-durable goods industries, the expansion in both employment and payroll volumes continued the increase which has been apparent since April. Within the non-manufacturing classification, declines in the merchandising group partially offset other gains. Although in August 1938 there was the first evidence for that year of a rising trend, current payroll volumes continued well in excess of year-earlier levels, increases amounting to 15 per cent in number of workers and 23 per cent in wage payments.

No employment data are as yet available for September, but evidence of quickening activity in that month in many basic lines of industry, particularly in steel and automobile production, indicates that employment and payroll figures for the period again should show notable increases.



## Merchandising

**Department Store Trade**—Seventh district department stores experienced a better than seasonal expansion in business during August, total sales gaining 28 per cent over July. The margin of increase over 1938 levels widened to 8 per cent from only 5 per cent a month earlier. Among the four largest cities of the district, Chicago showed the greatest July-August gain—33 per cent; in Detroit, where automobile activity, though seasonally low, was somewhat

in excess of last year, the best increase continued to be recorded in comparison with 1938. Dollar volume of weekly reporting district stores for the week of September 9 exceeded that of the corresponding 1938 period by 11 per cent, increases ranging from 9 per cent in Chicago and Detroit to 28 per cent in Milwaukee. In the following week, however, sales showed a decrease of 5 per cent from a year earlier, Detroit alone of the four large cities recording an increase in the comparison. District department store inventories rose 11 per cent in the aggregate during August, and totaled fractionally larger than a year earlier. The more than seasonal increase for August over the end of July was largely due to the sharp rise of 30 per cent in Detroit store stocks. It will be noted in the table that Chicago department store inventories, in contrast to those in other cities, were lighter than last year.

#### DEPARTMENT STORE TRADE IN AUGUST 1939

Locality	Per Cent Change August 1939 from August 1938		Per Cent Change First Eight Months 1939 from Same Period 1938		Ratio of August Collections to Accounts Outstanding End of July	
	Net Sales	Stocks End of Month	Net Sales	1939	1938	
Chicago.....	+ 7.5	-3.6	+ 2.7	40.9	37.9	
Detroit.....	+13.3	+6.2	+13.6	41.5	36.8	
Fort Wayne.....	+13.4	—	+ 4.6	—	—	
Indianapolis.....	+11.2	+8.0	+ 7.9	34.3	33.4	
Milwaukee.....	+ 6.5	+2.6	+ 3.7	36.1	35.7	
Peoria.....	+ 2.6	—	- 0.0	—	—	
Other Cities.....	+ 5.4	+3.1	+ 5.3	32.1	30.4	
7th District.....	+ 8.4	+0.2	+ 5.5	38.3	35.6	

\*Include Fort Wayne and Peoria.

**Retail Shoes**—A much greater than seasonal increase took place during August in the retail shoe trade of the Seventh district. Dollar sales of reporting dealers and department stores combined rose 20 per cent; department store shoe sales with a rise of 36 per cent were responsible for most of the increase in the total, as dealers' sales gained only one per cent. August sales compared with the 1938 month were 9 per cent heavier, with dealer sales larger by 6 per cent and those of department stores greater by 11 per cent. A sharp expansion of 23 per cent in shoe stocks brought them to a level at the end of August 5 per cent heavier than in 1938.

**Retail Furniture**—As in other phases of retail trade, sales of furniture and housefurnishings recorded a considerable gain in August over those of July. The total dollar volume sold by dealers and department stores exceeded that of a month previous by 20 per cent, with dealer sales 27 per cent larger and those of department stores 17 per cent greater. A 6 per cent increase was shown in the aggregate over last August, the percentage of gain for dealers being 14 per cent and that for department stores only 3 per cent. Inventories of furniture and housefurnishings at the end of August were 3 per cent higher than on July 31 or a year ago.

#### SALES OF INDEPENDENT RETAIL STORES

(As reported by the Department of Commerce)

	Per Cent Change August 1939 from August 1938			
	Illinois	Indiana	Iowa	Wisconsin
Apparel Group.....	+10.3	+ 6.1	+ 7.7	+ 4.0
Drug Stores.....	+ 2.7	+ 3.6	+ 1.7	- 0.1
Food Group.....	- 2.0	- 4.8	- 2.0	- 3.0
Furniture and Appliances.....	+ 9.4	+20.0	+12.4	+ 2.1
Hardware Stores.....	+ 7.5	+ 0.5	+21.0	+ 3.3
Lumber and Building Materials.....	+12.9	+17.9	+21.8	+ 7.0
Motor Vehicle Dealers.....	+29.2	+37.8	+ 4.0	+18.4
Total All Groups.....	+ 9.5	+11.0	+ 4.7	+ 3.0

**Wholesale Trade**—The distribution of commodities at wholesale expanded in August. With few exceptions all groups in the Seventh district reporting to the United States Department of Commerce experienced a heavier volume of business than in July and similarly had larger sales than a year ago. Aggregate sales for all lines exceeded those of the preceding month by 5 per cent and were 9 per cent greater than in August 1938. Inventories in the majority of groups rose somewhat between July 31 and the end of August and for the most part were above those of a year earlier, the increases in the district total amounting to one and 3 per cent, respectively.

#### WHOLESALE TRADE IN AUGUST 1939\*

Commodity	Per Cent Change from Same Month Last Year			
	Net Sales	Stocks	Accounts Outstanding	Collections
Groceries.....	+ 0.8	- 2.2	+ 0.4	- 1.2
Hardware.....	+12.7	+ 1.5	+ 6.0	+13.4
Drugs & Drug Sundries.....	- 0.5	+ 6.1	+ 4.0	+ 1.2
Electrical Goods.....	+34.3	+31.7	+40.8	+40.6
Meats & Meat Products.....	+ 9.4	+31.9	+ 7.8	+11.6
Paper & Its Products.....	+ 9.3	+ 1.8	+ 4.0	+ 7.3
Tobacco & Its Products.....	+ 4.8	+12.2	+ 1.8	+ 6.1
Miscellaneous.....	+10.5	+ 1.0	+ 7.8	+13.1

\*Data furnished by Bureau of the Census, United States Department of Commerce.

#### Agriculture

**Crop Conditions**—Estimates of nearly all Seventh district crops were raised slightly on September 1 over the beginning of August; it will be noted, however, that the yield of autumn vegetables is much lower than a year ago. Corn has progressed more rapidly than usual toward maturity; practically all of the crop was out of killing frost danger by September 19. Excessive heat in the first half of September took toll by causing some chaffiness in the latest corn and by reducing the quality and yield of soybeans. Pastures have deteriorated sharply since late August, and the dry hard condition of the soil has occasioned considerable delay in autumn field work.

#### CROP PRODUCTION

Estimated by the United States Department of Agriculture on the Basis of September 1 Condition  
(In thousands of bushels, unless otherwise specified)

	Seventh District			United States		
	Forecast 1939	Final 1938	Average 1928-37	Forecast 1939	Final 1938	Average 1928-37
Corn.....	1,083,802	1,038,749	847,142	2,523,092	2,542,238	2,309,671
Oats.....	363,458	430,768	454,618	929,968	1,053,839	1,049,390
Barley.....	46,477a	46,964a	48,128a	264,163	252,139	233,081
Soybeans.....	61,323b	46,063b	16,915b	70,814c	83,940c	26,692
Total Wheat.....	58,448	69,581	59,767	736,115	930,801	723,982
Rye.....	8,122a	9,942a	7,866a	40,834	55,039	36,330
Buckwheat.....	583a	684a	849a	5,767	6,682	7,994
Potatoes (white).....	50,360	53,457	53,056	364,208	371,617	372,258
Beans (dry edible).....	3,946d	4,575d	3,885d	13,073	15,208	12,683
Sugar Beets.....	994e	1,005e	736e	10,677	11,614	8,496
Onions.....	2,697a	2,715a	3,030a	16,619	14,930	13,797
Tomatoes for Market.....	1,289f	1,225f	1,257f	23,556	24,546	18,683
Cabbage.....	177a	315a	196a	1,107	1,496	1,082
Tomatoes for Canning.....	344f	398f	344f	1,676	1,738	1,469
Sweet Corn for Canning.....	275a	363a	313a	566	880	646
Apples (commercial).....	15,050a	8,059a	10,297a	105,260	82,395	94,440
Peaches.....	5,345f	3,055f	3,646f	61,426	51,945	54,151
Tame Hay.....	17,948	18,379	15,201	74,728	80,299	68,766

1—In thousands of 100-lb. bags. 2—In thousands of tons.

a—Five States including Seventh Federal Reserve district. b—Illinois, Indiana and Iowa. c—Six States. d—Michigan and Wisconsin. e—Michigan. f—Indiana, Michigan, Illinois and Iowa.

**Grain Marketing**—After a generally firm price tendency throughout most of August, activity in principal grain markets during the first week of September almost completely reflected readjustments to the new situation brought about by the initiation of large-scale hostilities in Europe. The impact of the war generated a rush to buy wheat; trading for several days was at a standstill as bid prices opened at the limits of increase permitted. More orderly trading was resumed September 7 when trading restrictions were modi-



fied, as the price limits on wheat and corn were doubled. On that date, December wheat at 88 cents was up 20 cents, or 29 per cent, over the close of August. A similar increase was shown in corn prices, December quotations advancing 16 cents, or 36 per cent, by September 7. The oats market participated in the general advance to a somewhat smaller extent.

A buying rush for foods followed the outbreak of war in Europe. There was a scarcity of flour in all positions, and for a few days there was a near stampede of housewives buying flour and sugar at retail stores. Corn markets were influenced by the advance in wheat and by the sharp increase in animal and lard prices. About 80 per cent of the nation's corn crop is usually fed to livestock, and the marked rise in livestock quotations in the first week of September was promptly reflected in corn prices.

In the second week of September there was a reaction from the high points of the preceding week, but prices later recovered most of their loss. Cash quotations were fairly strong throughout the first three weeks of the month. The drought situation in the southwestern winter wheat belt has been serious, and seeding and soil preparation were almost at a standstill. Corn farmers evidently altered their earlier holding attitude, as country marketings were larger in mid-September. This reflected in part a reaction in livestock prices and continued good weather for the maturing corn.

#### MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES

(In thousands of bushels)

	August 1939	July 1939	August 1938	August 1929-38 Avg.
Wheat:				
Receipts.....	44,728	98,196	61,670	53,462
Shipments.....	23,343	30,474	25,044	28,800
Corn:				
Receipts.....	9,877	11,749	16,966	16,366
Shipments.....	11,550	13,500	17,694	10,217
Oats:				
Receipts.....	19,501	7,059	24,824	21,649
Shipments.....	7,821	4,745	10,711	8,137

**Livestock and Meat Packing**—During the first week of the European war there was a sharp decline in marketings of livestock, accompanied by a marked advance in livestock prices. Average prices for hogs at Chicago reached a high of \$8.50 a hundredweight on September 6, and averaged \$7.85 for the first week of September. Despite the sharp advance from the year's low of \$5.20 for the week of August 12, these higher prices were still slightly lower than quotations prevailing at the time in 1938. Cattle prices did not advance so markedly and were at almost the same levels as those of a year earlier. With larger marketings, livestock prices later reacted somewhat but continued well above recent low levels. Prices of meats generally followed the

#### LIVESTOCK SLAUGHTER

(In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
Yards in Seventh District,				
August 1939.....	183	460	241	58
August 1938.....	202	443	293	59
Federally Inspected Slaughter,				
United States:				
August 1939.....	823	2,792	1,457	414
July 1939.....	782	2,778	1,399	417
August 1938.....	848	2,467	1,603	457
August 1929-38 average.....	885	2,542	1,511	483

#### AVERAGE PRICES OF LIVESTOCK

(Per hundred pounds at Chicago)

	Week Ended September 16, 1939	August 1939	Months of July 1939	August 1938
Native Beef Steers (average).....	\$10.25	\$ 9.20	\$ 9.30	\$10.35
Fat Cows and Heifers.....	8.50	7.35	7.75	7.75
Calves.....	9.25	9.50	9.50	10.35
Hogs (bulk of sales).....	7.50	8.60	6.00	7.80
Lambs.....	9.45	8.60	9.30	8.40

trend in livestock markets; speculative and consumer activity in lard has brought up quotations for the commodity into line with the live hog basis.

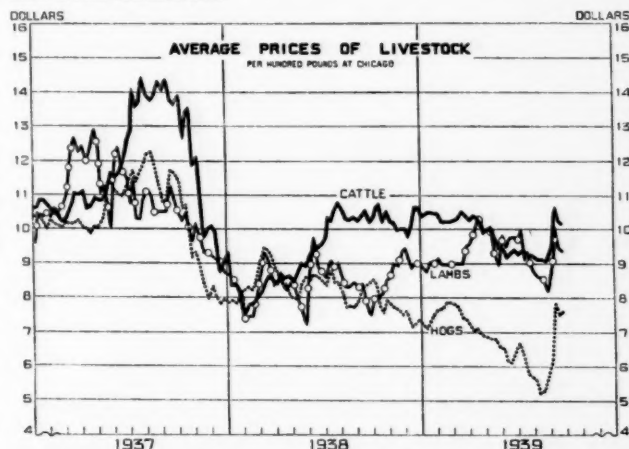
Receipts of livestock at public stockyards in the United States rose during August over July to a less than seasonal extent, except in the case of hogs where only a minor rise is usually expected. Both the receipts and inspected slaughter figures totaled lower than in 1938, again with the exception of hogs, the volumes of which continued in excess of year-earlier levels. There was a sizable gain in August shipments of livestock to feed lots.

Packing-house commodity production, which in August had totaled about 9 per cent heavier than a year earlier, and only slightly less—on a daily average basis—than in July, declined in the first half of September to a level at least no greater than that for the corresponding period of 1938. Domestic sales continued in good volume during September, and there was some further decline in inventories from the first of the month.

#### MEAT PACKING—UNITED STATES

	Per Cent Change in August 1939 from	July 1939	August 1938	August 1929-38 Avg.
Tonnage produced.....	+ 2.5	+ 8.9	+ 6.8	
Tonnage sold.....	+ 9.2	+15.3	+12.0	
Dollar sales.....	- 3.1	- 0.3	+ 1.4	
Inventories.....	-17.6	+ 5.1	-24.5	

Shipments for export during August were close to the July volume. After the outbreak of the war, normal business with Europe became increasingly difficult. The maximum prices for meat and meat products fixed in the British market by the National Food Defense Committee of Great Britain were considerably under Chicago parity, particularly at prevailing exchange rates. Numerous inquiries for meats were received from the British Food Board by Chicago packing firms, not only for sizable volumes of pork from the United States, but also for beef from the Argentine. However, by the middle of September no actual orders had been contracted.



Weekly average prices of livestock, Chicago, 1937 through September 23, 1939. Source: Chicago Daily Drovers' Journal.

**Dairy Products and Eggs**—Butter prices were held steady during August by continued purchases by the Dairy Products Marketing Association, but there was a marked advance in butter quotations in the first three weeks of September as speculative as well as consumer demand quickly absorbed current offerings. Wholesale prices of 92 score butter in Chicago stood at 28 cents on September 21, a rise of almost 20 per cent from the 23½ cent level maintained through most of August. Seventh district creamery

butter production during August declined about 9 per cent from July and was just slightly lower than in 1938; estimates for United States production show that August make was about equal to that for the month last year. District pasture conditions and milk flow continued good for the season, except in Wisconsin where there was a sharp decline from the high production levels of 1938.

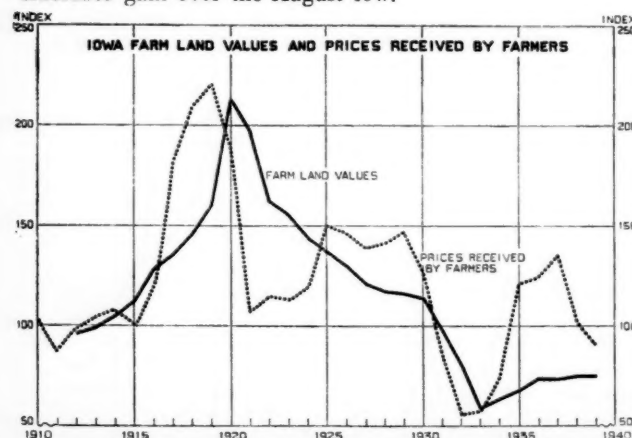
Cheese prices continued strong through the first three weeks of September, participating in the general advance in dairy products and other commodities. During August production of American cheese in Wisconsin declined about 12 per cent from July and was again lower than in 1938. Distribution of cheese was at highly favorable levels. Prices for eggs, though firming somewhat, failed to keep pace with the advance in other edible commodities.

#### UNITED STATES COLD STORAGE HOLDINGS DAIRY PRODUCTS AND EGGS (000's omitted)

	Sept. 1 1939	Aug. 1 1939	Sept. 1 1938	Sept. 1 1934-38 Avg.
Butter, Creamery (lbs.).....	173,093 <sup>1</sup>	165,183	201,252	145,113
Cheese, American (lbs.).....	103,604	97,448	127,862	103,986
Cheese, All varieties (lbs.).....	124,885	117,598	150,248	121,757
Eggs, Shell and frozen, case equivalent.....	10,479	11,149	9,514	10,864

<sup>1</sup>Holdings of butter by various governmental agencies on September 1 were 34,314,000 pounds, compared with 32,357,000 pounds on August 1 and with 68,095,000 pounds on September 1, 1938.

**Farm Prices and Land Values**—In the accompanying chart there is depicted the long-term course of prices received by Iowa farmers for their major products, together with trends in Iowa land values since the pre-1914 era. It will be noted that during the war and post-war period, the annual index of land values reached its peak of 213 in 1920, about a year later than the peak of farm prices. Although on the chart prices received by farmers are plotted annually for the purpose of simplicity, monthly indexes are available; the highest point reached in this series was 242 in July 1919. Trends subsequent to the war period are clearly evident. Farm land values reached their lowest point in the series in 1933; since then Iowa land values have recovered slightly. The farm price index—on a monthly basis—reached a low of 40 in January 1933. From 1934 through the first half of 1937, there was a fairly sharp recovery in Iowa agricultural prices, to be followed by an almost equally sharp decline through August 1939 when the index reached 81, the lowest point since July 1934. Because of the marked rise in prices of livestock and most grains in early September, the September Iowa index will undoubtedly show considerable gain over the August low.



Annual indexes of Iowa farm land values and prices received by Iowa farmers. Base periods: Land values, 1912-1914; prices, 1910-1914. Sources: Land values, U. S. D. A.; prices, The Farm Outlook, Iowa State College Extension Service. 1939 price data are average of first eight months of year.

## Fuel Industries

**Petroleum Refining**—During August operations of petroleum refineries located in the Indiana, Illinois, and Kentucky area continued the slight decline evidenced in July. Daily average crude runs to stills in the area were 2 per cent lower than in July but remained well above last year's levels. Comparisons with 1938 continued more favorable for the district than the United States, the gain for this area being 14 per cent as against one of 7 per cent for the country as a whole. The war seems to have had little effect on the prices of refined petroleum products in the Seventh district; in fact, there recently has been some seasonal softening in retail gasoline prices.

**Coal Mining**—The expansion of 32 per cent during August in bituminous coal production in Illinois and Indiana was greater than seasonal. Output in this area was 3 per cent heavier than in August 1938, being above a year earlier for the first time since May. It continued, however, somewhat lower than the level maintained in 1937. The proportion of the national bituminous coal output mined in Illinois and Indiana was 12 per cent in August this year as against 14 per cent in the same 1938 month.

## Credit and Finance

**Condition of Member Banks**—In the five weeks ended September 20, weekly reporting member banks increased their total loans by 18 million dollars. This gain was apparently due to a general increase in borrowing by business concerns, as the commercial, industrial, and agricultural loan category rose by 28 million dollars over the period. Investment holdings of the reporting banks declined 59 millions, an increase in holdings of all other securities only partially offsetting a reduced volume of Treasury bills. Demand deposits adjusted rose 98 million dollars during the period.

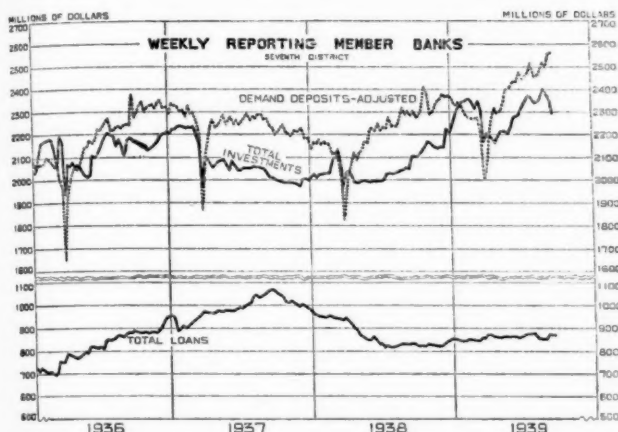
**Member Bank Reserves**—There was an increase of 171 million dollars in Seventh district member bank reserves in the five-week period ended September 20. The major factor in the rise was a net gain of 184 millions in commercial and financial funds from other districts through the clear-

### MONTHLY BUSINESS INDEXES

	Aug. 1939	July 1939	June 1939	Aug. 1938	July 1938	June 1938
Data refer to Seventh district and are not adjusted for seasonal variation unless otherwise indicated. 1923-1925 average = 100						
<b>Manufacturing Industries:</b>						
Employment.....	79	77	81	67	67	69
Payrolls.....	79	74	80	61	59	61
<b>Pig Iron Production:</b>						
Illinois and Indiana.....	91	80	76	47	39	35
<b>Automobile Production—(U. S.):</b>						
Passenger Cars.....	21	52	84	20	37	47
Trucks.....	102	156	167	85	92	101
<b>Casting Foundries Shipments:</b>						
Steel—In Dollars.....	46	39	47	32	25	29
In Tons.....	37	32	38	25	19	20
Malleable—In Dollars.....	50	36	48	35	28	32
In Tons.....	61	46	60	41	33	38
<b>Stoves and Furnaces:</b>						
Shipments.....	163	111	151	151	113	114
<b>Furniture Manufacturing:</b>						
Orders in Dollars.....	83	59	86	68	65	46
Shipments in Dollars.....	82	58	56	61	43	44
<b>Building Contracts Awarded:</b>						
Residential.....	81	67	60	51	47	46
Total.....	77	80	70	73	59	71
<b>Meat Packing—(U. S.):</b>						
Production.....	90	87	91	82	79	83
Sales Tonnage.....	100	91	92	86	82	85
Sales in Dollars.....	85	88	88	85	88	86
<b>Department Store Net Sales:</b>						
Chicago.....	76	58	89	70	57	83
Detroit.....	75	65	94	69	61	83
Indianapolis.....	92	73	97	84	70	91
Milwaukee.....	79	65	86	74	66	83
Other Cities.....	75	58	80	72	57	74
Seventh District—Unadjusted.....	77	61	89	72	59	82
Adjusted.....	95	85	91	87	83	84

ings systems. This gain came largely from the New York district and probably reflected to some extent liquidation of securities in that market during the first half of September. Of lesser importance in the increase in reserves was an excess in Treasury disbursements over receipts, as well as net transfers of 8 million dollars from other credit categories to reserve balances. Counteracting to a degree the effect of the above factors was a net increase in district money circulation of 26 millions, partly due to the heavier currency needs over the Labor Day holiday.

In contrast to trends in 1914, when the outbreak of major hostilities caused great liquidation of stocks and forced the temporary closing of the stock exchanges, the impact of the current war situation was reflected in sharply increased activity and prices in the stock market during the first half of September. Securities of those industries whose products are needed in war were naturally most affected. By mid-September the Chicago Journal of Commerce average of 20 leading stocks on the Chicago exchange had risen to the highest level since October 1937.



Wednesday figures for reporting member banks in leading cities of the Seventh district, January 1, 1936, to September 20, 1939.

**Securities Markets**—The August total of new long-term corporate bond issues was the largest in volume since last October. Over 90 per cent of all corporate issues were for refunding purposes, and only a small portion of the financing originated in Seventh district industries. Almost all of the new-issue activity took place in the first three weeks of August; with increasing tension and the outbreak of war abroad, there was an almost complete cessation of activity in the new-issue market.

High-grade security prices quickly reflected the rapidly changing conditions in Europe. Average yields on long-term Treasury bonds rose by about  $\frac{1}{2}$  of 1 per cent from late August through mid-September. Sales of Government securities appear to have been made by holders other than the large New York and Chicago banks whose portfolios showed little net change up to September 20. The rise in Treasury security yields was even more noticeable in the case of short-term securities than in Government bonds with maturities of 12 years or over. The weekly issue of 91-day Treasury bills dated September 20 was sold at an average yield of 0.125 per cent, as contrasted with a 1939 range up to mid-August of from .032 to a negative yield basis. Prices for high-grade corporate bonds likewise declined sharply but to a somewhat lesser extent than Treasury bond prices. The corporate bond market in early September seemed to be largely a matter of quotations, with wider spreads prevailing between bid and asked prices than had been the case in recent months. Medium-grade and the more speculative bond prices moved forward with the stock market. On the whole, prices for railroad bonds also advanced.

## Selected Seventh District Banking Data

### FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in thousands)

	Sept. 20, 1939	Aug. 16, 1939	Change from Sept. 21, 1938
Total bills and securities.....	\$304,188	\$+41,094	\$+24,648
Bills discounted.....	476	+194	+271
Bills bought.....	69	0	+2
U. S. Treasury bills.....	29,217	-7,119	-37,136
U. S. Treasury notes.....	133,604	+6,241	+6,891
U. S. Treasury bonds.....	140,376	+41,712	+54,611
Total Government securities.....	303,197	+40,834	+24,366
Total reserves.....	2,457,204	+108,687	+383,262
Member bank reserve deposits.....	1,575,269	+170,988	+341,696
All other deposits.....	123,589	-36,851	-5,898
Federal Reserve notes in circulation.....	1,029,850	+17,716	+70,242
Ratio of total reserves to deposit and Federal Reserve note liability combined.....	90.0%	-1.1*	+0.8*

\*Number of Points.

### CONDITION OF REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions)

	Sept. 20, 1939	Aug. 16, 1939	Change from Sept. 21, 1938
<b>ASSETS</b>			
Loans and investments—total.....	\$3,161	\$-41	\$+226
Loans—total.....	870	+18	+38
Commercial, industrial, and agricultural loans.....	508	+23	+38
Open-market paper.....	34	0	0
Loans to brokers and dealers in securities.....	33	-9	-3
Other loans for purchasing or carrying securities.....	76	-3	-2
Real estate loans.....	106	+2	+13
Loans to banks.....	0	0	-4
Other loans.....	113	0	-4
U. S. Treasury bills.....	131	-80	
U. S. Treasury notes.....	433	+3	+120
U. S. Treasury bonds.....	952	+14	
Obligations fully guaranteed by U. S. Government	290	+3	+52
Other securities.....	485	+1	+16
<b>LIABILITIES</b>			
Demand deposits—adjusted*.....	2,562	+98	+282
Time deposits.....	933	+2	+55
Borrowings.....	0	0	0

\*The annual velocity of demand deposits (unadjusted) in the five weeks ended September 20 was 19.80 times, as compared with 18.59 times in the preceding four weeks and with 18.17 times in the corresponding period of 1938.

### BANK DEBITS, SEVENTH DISTRICT

(Amounts in millions)

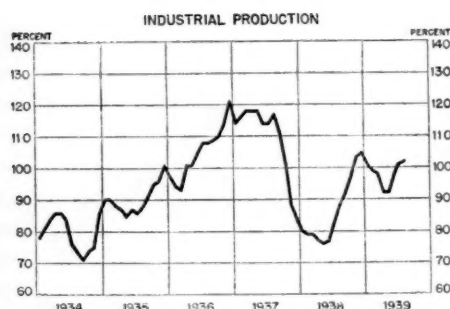
	August 1939	July 1939	Per Cent of Increase or Decrease from August 1938
Chicago.....	\$2,847	+ 2.2	+13.0
Des Moines.....	87	- 1.6	- 1.2
Detroit.....	797	- 2.2	+23.8
Fort Wayne.....	30	- 3.7	+ 2.5
Grand Rapids.....	54	+ 4.5	+16.0
Indianapolis.....	186	-13.4	+ 7.0
Milwaukee.....	258	- 3.5	+13.9
Peoria.....	52	- 4.0	+ 1.3
South Bend.....	35	- 1.5	+21.8
32 smaller cities.....	460	- 1.7	+10.8
Total 41 cities.....	4,806	- 0.1	+13.9

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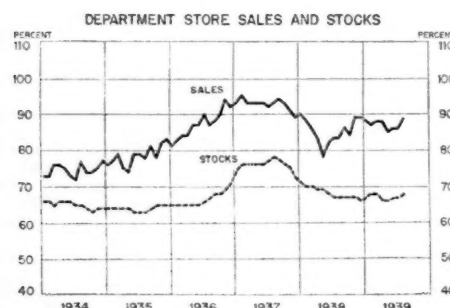


# National Summary of Business Conditions

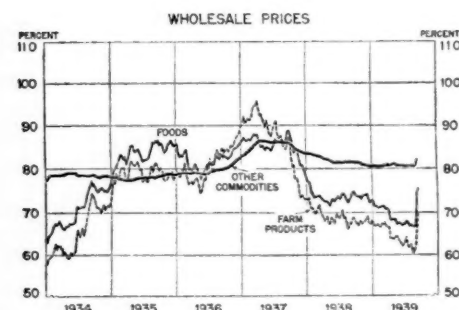
(By the Board of Governors of the Federal Reserve System)



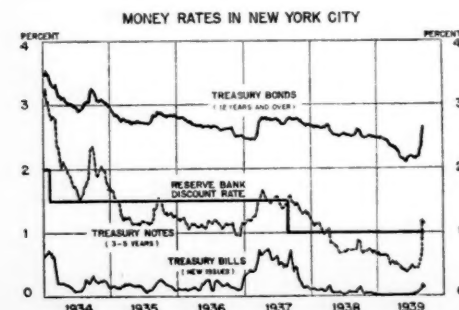
Index of physical volume of production adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to August 1939.



Indexes of value of sales and stocks, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to August 1939.



Indexes compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending September 16, 1939.



For weeks ending January 6, 1934, to September 16, 1939.

**I**NDUSTRIAL activity, which had increased substantially during the summer, showed a sharp advance in the first half of September after the outbreak of war in Europe. Prices of basic commodities and equity securities rose sharply while prices of high-grade bonds declined.

**Production**—In August, the Board's seasonally adjusted index of industrial production was at 102 per cent of the 1923-1925 average as compared with 101 per cent reached in July. Volume of manufacturing production increased further, but mineral production declined, owing to a temporary curtailment in output of crude petroleum. In the iron and steel industry output increased somewhat further in August and rose sharply in the first half of September, steel ingot production reaching a rate of 70 per cent of capacity in the week ending September 16 as compared with about 63 per cent at the beginning of the month. Automobile production showed about the usual sharp seasonal changes in this period as the shift to new model production was being made. Output of plate glass increased sharply. Production of nondurable manufactures advanced in August, reflecting chiefly increased activity at cotton and woolen textile mills. At meat-packing establishments activity declined less than seasonally, while at flour mills, where output has been at a high rate in recent months, there was not the usual large seasonal increase. Shoe production advanced seasonally. At coal mines output increased by about the usual seasonal amount and shipments of iron ore were at the highest rate of this season. Petroleum production declined sharply during the latter half of August, reflecting shutdowns of wells in most of the principal oil producing States, but increased rapidly in the first half of September when the wells were reopened.

Value of construction contracts, as reported by the F. W. Dodge Corporation, increased somewhat in August, owing to larger awards for publicly-financed projects, including several large dams and an increased volume of United States Housing Administration projects. Private residential building showed little change, although there is usually some seasonal decline. Other private construction, which in July had been the highest for any month in two years, declined in August.

**Distribution**—Department store sales increased more than seasonally from July to August. The Board's adjusted index advanced from 86 to 89 per cent of the 1923-1925 average and was at about the level reached in the latter part of last year. Sales at variety stores showed little change in August.

Freight-car loadings rose somewhat further in August, reflecting chiefly continued increases in shipments of coal and miscellaneous freight.

**Commodity Prices**—Prices of most basic foodstuffs and industrial materials advanced sharply in the first half of September. Prices of wheat, corn, sugar, cocoa, and vegetable oils as well as of hides, rubber, wool, zinc, and tin showed the largest increases. The general level of wholesale commodity prices as measured by the Bureau of Labor Statistics index rose 3.1 points and in the week ending September 9 was at 78.4 per cent of the 1926 average, about the same level as a year ago.

**Agriculture**—Crop prospects showed some improvement on September 1 over a month earlier, according to the Department of Agriculture. Indications are that production of all leading crops except cotton will be average or above average in volume. A cotton crop of 12,380,000 bales, about 10 per cent below the 1928-1937 average, is forecast. This compares with a crop of 11,940,000 bales in 1938 and an estimated world consumption of 11,265,000 bales of American cotton during the past season.

**Government Security Market**—Average yields on long-term Treasury bonds, which had advanced fractionally since last June, increased sharply by about  $\frac{1}{4}$  of 1 per cent in the latter half of August and early September. In pursuance of the System's policy of endeavoring to maintain orderly conditions in the money market, the Federal Reserve banks during the first half of September increased their holdings of Government securities by about \$400,000,000. On September 1 the Board of Governors of the Federal Reserve System announced that the Federal Reserve banks are prepared at this time to make advances on Government obligations to member and nonmember banks at par and at the same rate of discount.

**Bank Credit**—Total investments held by reporting member banks in 101 leading cities declined during the first half of September. At New York City banks the decline represented the redemption at maturity of Federal Farm Mortgage Corporation bonds and at banks in other leading cities it represented the sale of Treasury bills and bonds. Commercial loans of city banks showed a substantial growth during August and the first half of September.



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**SEVENTH FEDERAL**



**RESERVE DISTRICT**

